



GODREJ & BOYCE MANUFACTURING COMPANY LIMITED

NOMINATION AND REMUNERATION POLICY

CONTENTS

PART A: NOMINATION AND REMUNERATION COMMITTEE	2
1. Background and context:.....	2
2. Membership.....	2
3. Chairperson.....	2
4. Frequency of Meetings.....	2
5. Committee Members' interests.....	2
6. Secretary.....	3
7. Duties of the NRC.....	3
8. Minutes of Committee Meeting.....	3
PART B: NOMINATION AND REMUNERATION POLICY	4
1. Objective of the NRC Policy:.....	4
2. Definitions:.....	5
3. Appointment and removal of Directors and KMPs:.....	5
PART C: POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS	8
1. Introduction.....	8
2. Objective.....	8
3. Performance Evaluation.....	9
4. Separate Meeting for Evaluation of Performance of Board Members.....	9
PART D: GENERAL	9
1. Deviations from this Policy.....	9
2. Amendment.....	9
3. Effective Date of this Policy.....	9
PART E: MISCELLANEOUS	9
Succession Planning Policy.....	9
ANNEXURE 1	10
ANNEXURE 2	10

PART A: NOMINATION AND REMUNERATION COMMITTEE

1. Background and context:

Pursuant to Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014, (as amended from time to time), the Company is classified under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, and accordingly, the Company has constituted the Nomination and Remuneration Committee ('the NRC'). The NRC is required to formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and senior management.

2. Membership

- a) The NRC shall comprise of at least (3) Directors, all of whom shall be Non-Executive Directors and at least half shall be Independent Directors.
The Chairperson of the Company may be appointed as a Member of the NRC.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act.
- c) The quorum for the Meeting of the NRC shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).
- d) Membership of the Committee shall be disclosed in the Annual Report.
- e) Term of the Committee shall be continued unless terminated by the Board of Directors.

3. Chairperson

- a) The Chairperson of the NRC shall be an Independent Director.
- b) In the absence of the Chairperson, the Members of the NRC present at the Meeting shall choose one amongst them to act as Chairperson.
- c) The Chairperson of the NRC Meeting should be present at the Annual General Meeting or may nominate some other member to answer the Shareholders' queries.

4. Frequency of Meetings

The NRC shall meet at least once a year.

5. Committee Members' interests

- a) A Member of the NRC is not entitled to be present when his or her own remuneration is discussed at a Meeting or when his or her performance is being evaluated.
- b) The NRC may invite such executives, as it considers appropriate, to be present at the Meetings of the Committee.

6. Secretary

The Company Secretary of the Company shall act as Secretary of the NRC.

7. Duties of the NRC

a. Duties with respect to Nomination:

- Ensuring that there is an appropriate induction in place for new Directors and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the guidelines provided under the Act;
- Determining the appropriate size and composition of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Evaluating the performance of the Board members in the context of the Company's performance;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of the Managing Director/ Whole-Time Director/ Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- Delegating any of its powers to one or more of its Members or the Secretary of the Committee;
- Recommend any necessary changes to the Board;
- Considering any other matters, as may be requested by the Board.

b. Duties with respect to Remuneration:

- Considering and determining the remuneration policy
- Based on the performance of the Company, ensuring that the remuneration is reasonable and sufficient to attract, retain and motivate Members of the Board, as the NRC shall deem appropriate, the NRC shall fix elements of the remuneration of the Members of the Board.
- Recommending and approving the remuneration of the KMP(s) of the Company maintaining a balance between fixed and variable pay reflecting short and long- term performance objectives appropriate to the working of the Company.
- Delegating any of its powers to one or more of its Members of the NRC.
- Considering any other matters as may be requested by the Board.

8. Minutes of Committee Meeting

Proceedings of all the Meetings must be minuted and signed by the Chairperson of the NRC as per the provisions of the Act and the relevant Rules, read with the relevant Secretarial Standards on Meetings of the Board (SS-1). Minutes of the NRC Meetings will be tabled at the subsequent Board and Committee Meeting for noting thereon.

PART B: NOMINATION AND REMUNERATION POLICY

1. Objective of the NRC Policy:

In order to comply with the requirements of Section 178 of the Act, the NRC of the Board of Directors of the Company ('the Board') has formulated this Nomination and Remuneration Policy ('the Policy').

The key objectives of the Policy are as follows:

- a. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board of the Company, policies relating to the remuneration (payable in whatever form) of the Directors, Key Managerial Personnel and Senior Management.
- b. To formulate criteria for evaluation of the Members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c. To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
- d. To ensure diversity in the Company, workforce should comprise of individuals of varying gender, religion, race, age, ethnicity, education and other attributes.
- e. To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.
- f. To provide to Key Managerial Personnel ('KMP') and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- g. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- h. To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- i. To ensure remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The NRC will review and may amend this Policy from time to time.

2. Definitions:

a. “Key Managerial Personnel” or “KMP” means:

in relation to a Company as defined under Section 2(51) of the Act (as amended from time to time), means and includes:

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed

b. “Senior Management” shall mean Head- Personnel and Administration

c. “Independent Director” means

A director referred to in Section 149(6) of the Act.

3. Appointment and removal of Directors and KMPs:

a. Appointment criteria and qualifications:

- i) The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and/or KMP and recommend to the Board his/her appointment.
- ii) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The NRC has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient/ satisfactory for the concerned position.
- iii) The Company can recommend or appoint or continue the employment of any person as the Managing Director, Whole-time director or Manager within the meaning of the Act, who has attained the age of 70 (seventy) years, provided that the appointment of such a person who has attained the age of 70 (seventy) has been made with the approval of the Shareholders by passing a Special Resolution, based on the Explanatory Statement annexed to the Notice for the Meeting of the Shareholders for such motion indicating the justification for appointment or extension of appointment beyond the age of 70 (seventy) years.

b. Term / Tenure of Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than 1 (one) year before the expiry of term.

c. Appointment of Independent Director:

- i) An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board and will be eligible for re-appointment on passing of a Special Resolution by the Company and disclosure of such appointment in the Board's Report.
- ii) No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

d. Number of Directorships:

At the time of appointment of a Director, it should be ensured that he/she holds office of Director on the Board of such number of companies as may be prescribed under the Act.

e. Policy relating to the Remuneration for the Managing Director / Whole-time Director / Executive Director and KMP:

- i) The remuneration/ compensation/ commission etc. including increments to the Managing Director/ Whole-time Director/ Executive Director and KMP will be determined by the NRC as per the provisions of the Act and any other laws, as may be applicable, for the time being in force, and recommended to the Board for its approval. The remuneration / compensation /commission etc. for the above shall be subject to the prior/post approval of the Shareholders of the Company, as applicable.
- ii) The Managing Director/ Whole-time/ Executive Director and KMP shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the NRC. The breakup of the pay scale and quantum of perquisites including but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation Fund, Pension Scheme, medical expenses, club fees, leave travel allowance, etc. shall be decided and approved by the Board, on the recommendation of the NRC and approved by the Shareholders, as applicable.

iii) Minimum Remuneration for Managing Director/ Whole-time/ Executive Director:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director/ Whole-time/ Executive Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act.

iv) Provisions for excess remuneration for Managing Director/ Whole-time/ Executive Director:

If the Managing Director/ Whole-time/ Executive Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limits prescribed under the Act, he / she shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company, and until such sum is refunded, hold it in trust for the Company.

The Company shall not waive the recovery of any sum refundable to it under the aforementioned para unless it is approved by the Company by way of a Special Resolution within two years from the date the sum becomes refundable.

Where the Company has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the Company before obtaining approval of such waiver.

f. Remuneration to Non- Executive/ Independent Directors:

i) Remuneration/ Commission:

The remuneration/ commission shall be in accordance with the statutory provisions of the Act and the Rules made thereunder for the time being in force.

ii) Sitting Fees:

The Non- Executive/ Independent Directors may receive remuneration by way of fees for attending Meetings of the Board or Committees thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per Meeting of the Board or Committee or such amount as may be prescribed by the applicable law from time to time.

g. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, rules and regulations, the NRC may recommend, to the Board with reasons to be recorded in writing, removal of a Director and KMP.

h. Retirement:

The Directors and KMP shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director or KMP in the same position and on such remuneration as may be decided by it, even after attaining the retirement age, for the benefit of the Company.

i. Evaluation:

The NRC shall carry out evaluation of performance of every Director and KMP at its Meeting held every year.

The evaluation of Independent Directors shall be done by the entire Board of Directors, and the Directors who are subject to evaluation shall not participate.

PART C: POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

1. Introduction

The Company believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior/ manner. The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply in the letter and spirit of this Policy. Any actual or potential violation of this Policy by the Directors would be the matter of serious concern for the Company.

Therefore, the Company has formulated this Policy to comply with various provisions under the Act and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its Committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act. The NRC shall evaluate the performance of each Director as per sub-section (2) of Section 178 and based on the functions of the Independent Directors as indicated under Schedule IV (as per Section 149) to the Act and the Rules made thereunder.

2. Objective

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

3. Performance Evaluation

The NRC shall decide the process and format of evaluation of all Directors including Independent Directors, Chairman and the Board. The same is enclosed herewith as Annexure 1 and Annexure 2.

4. Separate Meeting for Evaluation of Performance of Board Members

Evaluation of all the Directors of the Company shall be carried out by entire Board except the the Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year.

PART D: GENERAL

1. Deviations from this Policy

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

2. Amendment

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and/ or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment/ modification in the Act and/ or any other laws in this regard shall automatically apply to this Policy.

3. Effective Date of this Policy

The effective date of this Policy is **4th March, 2021**.

PART E: MISCELLANEOUS

Succession Planning Policy

A separate Policy is formulated for Succession Planning and matters related to the same. The Policy may be reviewed by the NRC as and when they consider it necessary.

ANNEXURE 1**INDIVIDUAL BOARD MEMBERS EVALUATION**

Kindly provide your responses for the following Board Members:

Responses for: (Name of the Director)				
Sr. No.	Question	Yes	No	N.A.
1	Is adequately prepared for Board/Committee Meetings and has gone through the background papers provided			
2	Participates effectively in Meetings and provides meaningful observations and suggestions.			
3	Is able to express views with clarity and candor, even dissenting views			
4	Is able to gain the respect and confidence of management team and Board Members			
5	Any other Comments/suggestions:			

ANNEXURE 2**BOARD EVALUATION**

Kindly provide your feedback on the overall Board performance on the following:

1. Overall focus on Strategy and discussions on Division strategies:

Response:

2. Review of the Operations and Performance of the Company and Divisions:

Response:

3. Board oversight on compliances and maintaining values and ethical standards:

Response:

4. Adequacy of Board agenda and time for various matters. Adequacy of information provided and response to Board requirements:

Response:

5. Any other feedback:

Response: